



SECURITIE

05038158

Washington, D.C. 20541

OMB APPROVAL

OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden
hours per response..... 12.00

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER

843057

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Managers Distributors, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

800 Connecticut Avenue

(No. and Street)

NorwalkCT06854

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Donald S. Rumery203-299-3500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Schwartz & Hofflich LLP

(Name - if individual, state last, first, middle name)

37 North AvenueNorwalkCT06851-3832

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 18 2005

FOR OFFICIAL USE ONLY

THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

8-17

OATH OR AFFIRMATION

I, Donald S. Rumery, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Managers Distributors, Inc., as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Donald S. Rumery
Signature
Treasurer
Title

Joann M. Dombek
Notary Public

JOANN M. DOMBEK
NOTARY PUBLIC
My Commission Expires April. 30, 2005

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

- ☒ (o) Auditor's report on the study and evaluation of internal control
- ☒ (p) Exemptive provision under Rule 15c3-3

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountant	1
Financial statements	
Balance sheets	2
Statements of operations	3
Statements of changes in shareholder's equity	4
Statements of cash flows	5
Notes to financial statements	6 -7
Supplemental information	
Annual audited report form X-17A-5	



CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL ADVISORS

LAWRENCE FELDMAN, CPA
NEIL BAYER, CPA
GILBERT K. WATKINS, CPA
BARRY R. NEWMAN, CPA
ANN D. JEVNE, CPA, PFS
BARRY L. SUNSHINE, CPA
PASQUALINO P. SPAGNOLI, CPA
ERIC J. PRESCOTT, CPA

IRVING SCHWARTZ, CPA (1919-2001)
HENRY HOFFLICH, CPA

Report of Independent Certified Public Accountants

To the Board of Directors:
Managers Distributors, Inc.
Norwalk, CT

We have audited the accompanying balance sheets of Managers Distributors, Inc. as of December 31, 2004 and 2003, and the related statements of operations, changes in shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Managers Distributors, Inc. as of December 31, 2004 and 2003, and the results of its operations, changes in shareholder's equity and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America


February 17, 2005

37 NORTH AVENUE, NORWALK, CONNECTICUT 06851-3832

MEMBER OF  DFK INTERNATIONAL WITH AFFILIATED OFFICES WORLDWIDE

MANAGERS DISTRIBUTORS, INC.

BALANCE SHEETS

As of December 31,

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 1,000,656	\$ 229,650
Accounts receivable	289,990	23,449
Prepaid expenses	41,137	23,914
Prepaid federal income taxes	<u>0</u>	<u>5,937</u>
Total assets	<u>\$ 1,331,783</u>	<u>\$ 282,950</u>
Liabilities and shareholder's equity		
Current liabilities		
Accrued income taxes payable	\$ 283,455	\$ 874
Accounts payable and accrued expenses	<u>330,952</u>	<u>33,919</u>
Total liabilities	<u>614,407</u>	<u>34,793</u>
Shareholder's equity		
Common stock (50,000 shares authorized, 1,000 shares issued and outstanding; par value \$.01 share in 2004 and 2003)	10	10
Paid-in capital	129,990	129,990
Retained earnings	<u>587,376</u>	<u>118,157</u>
Total shareholder's equity	<u>717,376</u>	<u>248,157</u>
Total liabilities and shareholder's equity	<u>\$ 1,331,783</u>	<u>\$ 282,950</u>

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.**STATEMENTS OF OPERATIONS****For the years ended December 31,**

	<u>2004</u>	<u>2003</u>
Revenue	\$ 2,863,201	\$ 652,813
Cost of revenue	<u>(1,104,250)</u>	<u>0</u>
Gross profit on revenue	<u>1,758,951</u>	<u>652,813</u>
Expenses:		
Salaries	694,167	376,511
Employee benefits	77,246	49,167
Payroll taxes	37,534	17,427
Professional fees	8,078	5,900
Travel	100,573	80,392
Conferences	1,081	595
Printing	0	765
Trade shows	5,115	10,193
Office expenses	18,824	21,807
NASD fees	47,628	18,391
Miscellaneous	<u>734</u>	<u>6,556</u>
Total expenses	<u>990,980</u>	<u>587,704</u>
Income before other income and provision for income taxes	767,971	65,109
Investment income	<u>5,994</u>	<u>1,191</u>
Income before provision for income taxes	773,965	66,300
Provision for income taxes	<u>304,746</u>	<u>34,023</u>
Net income	\$ <u>469,219</u>	\$ <u>32,277</u>

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the years ended December 31, 2004 and 2003

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2002	\$ 10	\$ 129,990	\$ 85,880	\$ 215,880
Net income	<u>0</u>	<u>0</u>	<u>32,277</u>	<u>32,277</u>
Balance, December 31, 2003	10	129,990	118,157	248,157
Net income	<u>0</u>	<u>0</u>	<u>469,219</u>	<u>469,219</u>
Balance, December 31, 2004	\$ <u>10</u>	\$ <u>129,990</u>	\$ <u>587,376</u>	\$ <u>717,376</u>

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Net income	\$ 469,219	\$ 32,277
Adjustments to reconcile net loss to net cash used by operating activities:		
(Increase) decrease in accounts receivable	(266,541)	62,907
(Increase) in prepaid expenses	(17,223)	(10,924)
Decrease (increase) in prepaid federal income taxes	5,937	(5,937)
Increase (decrease) in accrued expenses	301,629	(40,450)
(Decrease) in accounts payable	(5,470)	(9,413)
Increase (decrease) in accrued income taxes payable	<u>283,455</u>	<u>(7,402)</u>
Net cash provided by operating activities	<u>771,006</u>	<u>21,058</u>
Cash flows from financing activities	<u>0</u>	<u>0</u>
Cash flows from investing activities	<u>0</u>	<u>0</u>
Changes in cash flows	771,006	21,058
Cash and cash equivalents, as of January 1,	<u>229,650</u>	<u>208,592</u>
Cash and cash equivalents, as of December 31,	<u><u>\$ 1,000,656</u></u>	<u><u>\$ 229,650</u></u>
Supplemental disclosure of cash flow information		
Income taxes paid	\$ 20,454	\$ 61,742
Interest paid	\$ 0	\$ 0

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 1- PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Incorporation and principal business activity

Managers Distributors, Inc. ("the Company"), a wholly-owned subsidiary of The Managers Funds, LLC ("LLC"), a wholly-owned subsidiary of Affiliated Manager Group, Inc. ("AMG") is incorporated under the laws of Delaware. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") pursuant to Section 15 under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("NASD"). The Company's principal business activity is to act as a distributor of mutual fund shares for a family of funds known as Managers.

Revenue recognition

The Company earns its revenue from the distribution of mutual funds. The distribution fee is earned from the LLC and is more fully described in Note 2. Effective April 2004, the Company earns 12.b-1 fees and contingent deferred sales charges. The 12.b-1 fees are calculated based on various rates depending on the assets of a particular class of mutual fund shares. Contingent deferred sales charges are earned from mutual fund shareholders at varying rates ranging from 1% to 5%, depending on the class of mutual fund shares, determined at the shareholder's redemption date.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all short-term investments with maturities at the date of purchase of three months or less to be cash equivalents.

Concentration of credit risk

The Company maintains a bank account at a commercial bank. At times during the year, the balance maintained in the bank may exceed the FDIC insurance limits.

Fair value of financial instruments

The carrying amounts of the assets and liabilities reported in the balance sheet approximate their fair market value based on the short-term maturity of these instruments.

MANAGERS DISTRIBUTORS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 2- RELATED PARTY TRANSACTIONS

In January 2001, the Company entered into an agreement with the LLC to provide distribution services for mutual fund shares in The Managers Funds, Managers AMG Funds, Managers Trust I and Managers Trust II. The distribution fee is based on a percentage of certain Company overhead expenses. LLC provided approximately 36% and 100% of the revenue to the Company for the years ended December 31, 2004 and 2003, respectively. The LLC assumes certain of the Company's expenses such as occupancy, telephone and utilities, bookkeeping and certain personnel costs. The officers of the Company serve as officers to related companies, including the LLC.

The accounts receivable of \$113,727 and \$23,449 as of December 31, 2004 and 2003, respectively, are from the LLC for services rendered.

The Company maintains cash in the Managers Money Market Fund, to which the LLC provides administrative and shareholders services.

NOTE 3 - INCOME TAXES

The income tax provision consists of the following:

	<u>2004</u>	<u>2003</u>
Federal	\$ 245,123	\$ 29,903
States	<u>59,623</u>	<u>4,120</u>
	<u>\$ 304,746</u>	<u>\$ 34,023</u>

NOTE 4- EMPLOYEE BENEFIT PLAN

AMG maintains a 401(k) profit sharing plan ("the Plan") covering the employees of the Company. The Company's contributions to the Plan are based upon a percentage of the employee's eligible annual compensation. Contributions to the plan for the years ended December 31, 2004 and 2003 were \$43,163 and \$31,800, respectively.

NOTE 5- NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2004, the Company had net capital of \$370,625 of which \$329,665 was in excess of the minimum required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 1.66 to 1 as of December 31, 2004.



CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL ADVISORS

LAWRENCE FELDMAN, CPA
NEIL BAYER, CPA
GILBERT K. WATKINS, CPA
BARRY R. NEWMAN, CPA
ANN D. JEVNE, CPA, PFS
BARRY L. SUNSHINE, CPA
PASQUALINO P. SPAGNOLI, CPA
ERIC J. PRESCOTT, CPA

IRVING SCHWARTZ, CPA (1919-2001)
HENRY HOFFLICH, CPA

SUPPLEMENTARY REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors of
Managers Distributors, Inc.

In planning and performing our audit for the financial statements of Managers Distributors, Inc. for the year ended December 31, 2004, we considered its internal control, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practice and procedures) followed by Managers Distributors, Inc. that we considered relevant to the objectives stated in rule 17a-5(g), to make the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and reserve required by rule 15c3-3. We did not review the practices and procedures followed by the Company (i) in making the quarterly securities examinations, counts, verification and comparisons and the recordation of differences required by rule 17a-13; (ii) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3 and (iii) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company's transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies. The Company also promptly transmits all customer funds and delivers all securities received in connection with activities as broker-dealer, and does not otherwise hold funds or securities for, or owe money or securities to customers.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives.

37 NORTH AVENUE, NORWALK, CONNECTICUT 06851-3832

Managers Distributors, Inc.

Page 2 of 2

The objective of an internal control structure and of the practices and procedures is to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 and should not be used for any other purpose.

Schwartz & Hofflich LLP
February 17, 2005



CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL ADVISORS

LAWRENCE FELDMAN, CPA
NEIL BAYER, CPA
GILBERT K. WATKINS, CPA
BARRY R. NEWMAN, CPA
ANN D. JEVNE, CPA, PFS
BARRY L. SUNSHINE, CPA
PASQUALINO P. SPAGNOLI, CPA
ERIC J. PRESCOTT, CPA

IRVING SCHWARTZ, CPA (1919-2001)
HENRY HOFFLICH, CPA

February 17, 2005

NASD
9513 Key West Avenue
Rockville, MD 20850-3389

Re: The Managers Distributors, Inc.
CRD#27314

Pursuant to Rule 17a-5(e)(4), for the year ending December 31, 2004, The Managers Distributors, Inc. exclusively distributes registered open-end investment company shares.

Schwartz & Hofflich LLP

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

Managers Distributors, Inc.

N2

100

STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) 12/31/04

SEC FILE NO. 8-43057

Consolidated		99
Unconsolidated	X	98
		198
		199

ASSETS

Allowable

Non-Allowable

Total

1. Cash	\$ 219,476	200		\$ 219,476	750
2. Cash segregated in compliance with federal and other regulations		210			760
3. Receivable from brokers or dealers and clearing organizations:					
A. Failed to deliver:					
1. Includable in "Formula for Reserve Requirements"		220			
2. Other		230			770
B. Securities borrowed:					
1. Includable in "Formula for Reserve Requirements"		240			
2. Other		250			780
C. Omnibus accounts:					
1. Includable in "Formula for Reserve Requirements"		260			
2. Other		270			790
D. Clearing organizations:					
1. Includable in "Formula for Reserve Requirements"		280			
2. Other		290			800
E. Other		300	\$ 550		810
4. Receivables from customers:					
A. Securities accounts:					
1. Cash and fully secured accounts		310		560	
2. Partly secured accounts		320		570	
3. Unsecured accounts				580	
B. Commodity accounts		330			
C. Allowance for doubtful accounts		335		590	820
5. Receivables from non-customers:					
A. Cash and fully secured accounts		340			
B. Partly secured and unsecured accounts		350		600	830
6. Securities purchased under agreements to resell		360		605	840
7. Securities and spot commodities owned, at market value:					
A. Bankers acceptances, certificates of deposit and commercial paper		370			
B. U.S. and Canadian government obligations		380			
C. State and municipal government obligations		390			
D. Corporate obligations		400			

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/04

Managers Distributors, Inc.

STATEMENT OF FINANCIAL CONDITION

		ASSETS		
		Allowable	Non-Allowable	Total
E. Stocks and warrants	9	\$ 410		
F. Options		420		
G. Arbitrage		422		
H. Other securities		424		
I. Sport commodities		430		
		781,180		\$ 781,180 850
8. Securities owned not readily marketable:				
A. At Cost	8	\$ 130 440	\$ 610	860
9. Other investments not readily marketable:				
A. At Cost		\$ 140		
B. At estimated fair value		450	620	870
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A. Exempted securities		\$ 150		
B. Other	10	\$ 160 460	630	880
11. Secured demand notes-market value of collateral:				
A. Exempted securities		\$ 170		
B. Other		\$ 180 470	640	890
12. Memberships in exchanges:				
A. Owned, at market value		\$ 190		
B. Owned at cost			650	
C. Contributed for use of company, at market value			660	900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	289,990 670	289,990 910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:				
At cost (net of accumulated depreciation and amortization)		490	680	920
15. Other Assets:				
A. Dividends and interest receivable		500	690	
B. Free shipments		510	700	
C. Loans and advances		520	710	
D. Miscellaneous	11	530	41,137 720	41,137 930
16. TOTAL ASSETS		\$ 1,000,656 540	\$ 331,127 740	\$ 1,331,783 940

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/04

Managers Distributors, Inc.

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

Liabilities	A.I. Liabilities*	Non-A.I. Liabilities*	Total
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 1460
B. Other	1040	1250	1470
18. Securities sold under repurchase agreement....		1260	1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1490
2. Other	1060	1280	1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		1510
2. Other	1080	1290	1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1550
2. Other	1105	1310	1560
E. Other:	1110	1320	1570
20. Payable to customers:			
A. Securities accounts-including free credits of\$ 950	1120		1580
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value-including arbitrage of\$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	1170		1640
C. Income taxes payable	283,455 1180		283,455 1650
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities	330,952 1190		330,952 1670
F. Other	1200	1380	1680

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
Managers Distributors, Inc.

as of 12/31/04

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

Liabilities	A.I. Liabilities*	Non-A.I. Liabilities*	Total
24. Notes and mortgages payable:			
A. Unsecured	\$ 1210		\$ 1690
B. Secured	25 1211	1390	1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders 24 \$ 970			
2. Includes equity subordination (15c3-1(d)) of \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements		1420	27 1730
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1(d)) of \$ 1010			
D. Exchange memberships contributed for use of company, at market value		26 1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
26. TOTAL LIABILITIES	\$ 614,407 1230	\$ 1450	\$ 614,407 1760
Ownership Equity			
27. Sole Proprietorship			\$ 1770
28. Partnership-limited partners	\$ 1020		\$ 1780
29. Corporation:			
A. Preferred stock			1791
B. Common stock		28 10	1792
C. Additional paid-in capital		129,990	1793
D. Retained earnings		587,376	1794
E. Total			1795
F. Less capital stock in treasury			() 1796
30. TOTAL OWNERSHIP EQUITY			\$ 717,376 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 1,331,783 1810

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

Managers Distributors, Inc.

as of 12/31/04

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800	\$	717,376	3480
2. Deduct Ownership equity not allowable for Net Capital	()	3490
3. Total ownership equity qualified for Net Capital		717,376	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	717,376	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from			
Statement of Financial Condition (Notes B and C)	\$	331,127	3540
1. Additional charges for customers' and			
non-customers' security accounts	\$		3550
2. Additional charges for customers' and			
non-customers' commodity accounts			3560
B. Aged fail-to-deliver			3570
1. Number of items		3450	
C. Aged short security differences-less			
reserve of	\$	3460	3580
number of items		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities			
- proprietary capital charges			3600
F. Other deductions and/or charges			3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615
H. Total deductions and/or charges	(331,127	3620
7. Other additions and/or allowable credits (List)			3630
8. Net capital before haircuts on securities positions	\$	386,249	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper			3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants			3720
6. Options		15,624	3730
7. Arbitrage			3732
8. Other securities			3734
D. Undue Concentration			3650
E. Other (List)	(15,624	3740
10. Net Capital	\$	370,625	3750

OMIT PENNIES

Reconciliation of net capital differences between focus report and annual audited report

Net capital, as reported in focus report	\$642,233
Audit adjustments:	
(1) Increase in cash	207
(2) Increase in accrued expenses	(271,815)
Net capital, as reported in annual audited report	<u>\$370,625</u>

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/04

Managers Distributors, Inc.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 2/3% of line 19)	\$	40,960	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	40,960	3760
14. Excess net capital (line 10 less 13)	\$	329,665	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	309,184	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$		3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	\$		3838
19. Total aggregate indebtedness	\$	614,407	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	1.66	3850
21. Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 ÷ by line 10 less item 4880 page 25)	%		3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	%		3851
27. Percentage of Net Capital, after anticipated capital withdrawals, to Aggregate Debits (line 10 less item 4880 page 11 ÷ by line 17 page 8)	%		3854
28. Net capital in excess of the greater of:			
A. 5% of combines aggregate debt items or \$120,000	\$		3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%		3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%		3852

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/04

Managers Distributors, Inc.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check only one)

- | | | | |
|--|----|------|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 | \$ | X | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | | | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. | | | |
| Name of clearing firm ⁵¹ | | 4335 | 4570 |
| D. (k)(3) — Exempted by order of the Commission | | | 4580 |

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and number of items of:

- | | | | |
|---|----|-----|------|
| 1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frame specified under Rule 15c3-3. Notes A and B | \$ | | 4586 |
| A. Number of items | | | 4587 |
| 2. Customers' fully paid securities and excess margin securities for which instructions to reduce possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D | \$ | | 4588 |
| A. Number of items | \$ | | 4589 |
| OMIT PENNIES | | | |
| 3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3 | | Yes | 4584 |
| | | No | 4585 |

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent with the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).